107TH CONGRESS
1ST SESSION

H. R. 2229

To amend the Internal Revenue Code of 1986 to provide that the unearned income of children attributable to personal injury awards shall not be taxed at the marginal rate of the parents.

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 2001

Mrs. JOHNSON of Connecticut introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to provide that the unearned income of children attributable to personal injury awards shall not be taxed at the marginal rate of the parents.

1 *Be it enacted by the Senate and House of Representa-*

2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TREATMENT OF UNEARNED INCOME OF CHIL-**

4 **DREN ATTRIBUTABLE TO PERSONAL INJURY**

5 **AWARDS.**

6 (a) IN GENERAL.—Paragraph (4) of section 1(g) of

7 the Internal Revenue Code of 1986 (relating to taxation

8 of unearned income of minor children at parent's rate) is

1 amended by redesignating subparagraph (B) as subpara-

2 graph (C) and by inserting after subparagraph (A) the

3 following new subparagraph:

4   "(B) EXCEPTION FOR UNEARNED INCOME

5   ATTRIBUTABLE   TO   PERSONAL   INJURY

6   AWARDS.—

7   "(i) IN GENERAL.—There shall not be

8   taken into account under subparagraph

9   (A)(i) any qualified injury award income.

10   "(ii) QUALIFIED INJURY AWARD IN-

11   COME.—For purposes of clause (i), the

12   term 'qualified injury award income' means

13   income attributable to an amount excluded

14   from the gross income of the child by rea-

15   son of section 104(a)(2) if—

16   "(I) the excluded amount is re-

17   ceived by the child in a lump sum,

18   and

19   "(II) the income accrues on the

20   excluded amount while in a custodial

21   account (other than a trust) the

22   amounts in which are prohibited

23   under State law from being used to

24   satisfy any person's obligation to sup-

25   port or maintain the child."

1   (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2001.

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